

Reply to Common Council File No. 050320 and 050324
From DOA-Budget and Management Division

July 18, 2005

Ref: 06BF 7-E

Common Council File No. 050324 is an ordinance establishing a stormwater fee. Common Council File 050320 is an accompanying resolution that sets the 2006 rate for the stormwater fee.

The city's sewerage system provides two important benefits. First, the system conveys wastewater to the Milwaukee Metropolitan Sewerage District (MMSD) for treatment, thereby protecting public health. The system also prevents flooding by conveying stormwater runoff to rivers and streams.

Since 1998, the Sewer Maintenance Fund has primarily financed the sewerage system through a local sewerage charge. This charge is based on the estimated amount of wastewater a property delivers to the sewerage system. The estimation is based on the amount of water use metered at the tap. The rate used to determine this charge has not been increased since 2003. While this system has worked reasonably well, two problems are evident:

- Declining water consumption has led to declining sewerage charge revenues. Since most costs to maintain the sewerage system are fixed, declining consumption requires increasing sewer rates.
- While the sewer system has two main benefits, customers getting the wastewater conveyance benefits are paying for the entire cost of the system. Properties that rely on the sewerage system to manage their stormwater but that use little or no tap water are currently being subsidized by users who pay for the system through the sewerage charge on wastewater. Residential customers who pay the sewer rate are currently subsidizing commercial properties that have large parking lots.

Adopting a stormwater ordinance will provide the Sewer Maintenance Fund with two revenue streams: the local sewerage charge based on wastewater usage and the new stormwater fee. Similar stormwater fees are in effect in Wauwatosa and West Allis.

Adopting the stormwater fee has four impacts:

- Impervious surface is a relatively fixed factor. Sewer revenues should thus become more stabilized and the scale of future rate increases reduced.
- The fee more equitably distributes sewer costs according to benefit. Owners of large parking lots will pay their fair share of the sewerage system from which they gain stormwater benefits.
- \$2-3 million of Sewer Fund costs will be shifted from the residential sector to the commercial sector. Residential sewer bills will not increase as much as they would under the current fee structure. With the adoption of this fee, the average residential customer will pay \$1 more per month than in 2005. Without the fee, the average residential customer would likely pay about \$1.40 more per month. This saves residential customers about \$4.86 annually.
- In the long run, this fee will encourage commercial properties to adopt practices that reduce stormwater flow into the sewer system. In the combined sewer area, this may lead to a reduction in MMSD overflows and thereby improve water quality in the region.

The stormwater fee is paid based on the amount of impervious surface on each property. Impervious surfaces are those that do not allow stormwater to penetrate into the soil, but rather channel stormwater off the property. Examples include conventional roofs and paved areas. For most properties, this stormwater enters the city's sewer system for conveyance. Thus the amount of impervious surface on a property provides a reasonable estimate of the amount of benefit a property receives from the existence of the stormwater sewer system. Residential properties (from 1-4 dwelling units) will be charged for one "Equivalent Residential Unit" (ERU). One ERU is currently estimated to be 1610 square feet of impervious surface. While the amount of impervious surface on residential properties varies, the ERU is used for administrative simplicity. Estimating the impervious surface on each residential parcel would be impractical and costly. Non-residential properties will be charged based on the amount of actual impervious surface calculated in ERUs. Non-residential impervious surface area was estimated using GIS photography in 2000.

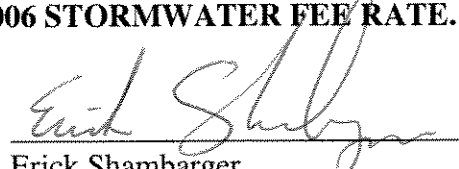
The ordinance provides a method by which the Commissioner of Public Works may adjust the fee levied on particular properties that meet certain criteria. Property owners may receive adjustments if:

- The actual amount of impervious surface on a property is significantly less than the city's estimation.
- If the property drains directly into a qualified river or stream or into an MMSD sewer.
- If the property uses detention basins, green roofs, or other best management practices that reduce the city's cost to provide sewer services.
- Other just and reasonable situations as determined by the Commissioner.

The ordinance further provides a process by which property owners may appeal the Commissioner's decision to the Administrative Review Appeals Board.

The resolution establishes a 2006 stormwater rate of \$32 per ERU, or \$8 per quarter. The fee is scheduled to go into effect in the 3rd quarter of 2006. Properties will thus pay a total of \$16 per ERU in 2006. To avoid a large 3rd quarter increase on the Municipal Services Bill, the administration plans to propose two separate rates for the 2006 local sewerage charge. A higher local sewerage charge will be applied for the first two quarters, and a lower rate will go into effect when the stormwater charge is applied to smooth residents' average bill over the course of the year. The local sewerage fee rate will be determined at a later date.

**RECOMMENDATION: APPROVE COMMON COUNCIL FILE NO. 050324
CREATING A STORMWATER FEE ORDINANCE. APPROVE FILE NO.
050320 WHICH ESTABLISHES A 2006 STORMWATER FEE RATE.**



Erick Shambarger
Fiscal Planning Specialist